

# Wondering If Your Small Business Qualifies For The New Federal Health Care Tax Credits?



## FOR COMPLETE INFORMATION:

The Maine Bureau of Insurance website offers updated information - including Frequently Asked Questions - as well as links to the most up to date IRS public information. To access this information Click [http://maine.gov/pfr/insurance/federal\\_health\\_care\\_reform/index.htm](http://maine.gov/pfr/insurance/federal_health_care_reform/index.htm)

Then click on the Small Business Tax Credit link.



Read on to find out if this tax credit will benefit a company like yours...

## Your Company May Benefit By Offering Health Insurance To Employees

We want to remind small business owners about one of the first provisions of the recently passed federal health care reform legislation. This provision is the small business health care tax credit.

This tax credit provision encourages small business owners to either offer employees health insurance coverage for the first time or encourages them to maintain health insurance coverage if they already do so. The U.S. Congress has specifically targeted small business and tax exempt organizations that primarily employ low and moderate income workers.

Here are some quick facts regarding the small business health care tax credit:

- The new federal health care reform law provides a Small Business Tax Credit to eligible small businesses for contributing toward the workers' health insurance premiums.
- The credit applies to all amounts paid or incurred in taxable years beginning after December 31, 2009
- To receive the credit an eligible small business must have a group health plan and pay at least 50% of the premium.
- A small business qualifies if they have fewer than 25 full-time equivalent (FTE) employees (they could have more than 25 part time as long as the combined FTE does not exceed 25).
- Companies with average annual wages less than \$50,000 per employee qualify (average annual wage = total wages divided by total FTE)

**3 SIMPLE STEPS...** The following three simple steps will help you determine if your small business would qualify for the Small Business Health Care Tax Credit:

**Step 1:** Determine the total number of your employees – (not counting owners or family members) – by adding the number of full time employees to the number of full-time equivalent of part time employees. If this number is less than 25 then go to step two.

**Step 2:** Calculate the average annual wages of employees by dividing the total annual wages paid to employees by the final number of employees arrived at in step two. If this number is less than \$50,000 then go to step three.

**Step 3:** If you pay at least half of the insurance premiums for your employees at the single coverage rate then you may be able to claim the Small Business Health Care Tax Credit.

Here is a simple example of how the tax credit would benefit a company with 10 full time employees:

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 -- Employees: 10  
 -- Total wages: \$250,000  
 -- Average Wage: \$250,000/10 = \$25,000

In this example the maximum 2010 tax credit for an employer that is not tax-exempt would be \$8,750 (35% credit). In 2014 the maximum tax credit would be \$12,500 (50% credit).

**Your Employees And Your Company May Benefit.**